Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	CC Docket No. 92-237
Administration of the North American Numbering Plan, Carrier Identification Codes (CICs)	)	

REPLY COMMENTS OF SOUTH DAKOTA LOCAL EXCHANGE CARRIERS

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SUMMARY

Golden West Telecommunications Cooperative, Inc. (Golden West), Sully Buttes Telephone Cooperative, Inc. (Sully Buttes), Valley Telecommunications Cooperative Association, Inc. (Valley), and West River Cooperative Telephone Company (West River) (collectively, the South Dakota LECs), by their attorneys, submit these reply comments to the Commission's proposal to require independent local exchange carriers (LECs) to provide equal access and to support four-digit carrier identification codes (CICs) only at their end offices.[1] The South Dakota LECs provide equal access through a centralized equal access provider -- South Dakota Network, Inc. (SDN). Their customers have access to 70 interexchange carriers (IXCs), and can use four-digit CICs to reach IXCs. The South Dakota LECs therefore request the Commission to continue to permit LECs to provide equal access and to support four-digit CICs through centralized equal access systems.

The Commission and other authorities have recognized the benefits of centralized equal access systems to rural America. By having several communities join together in establishing centralized equal access systems, those communities are able to

[1] Administration of the North American Numbering Plan, Carrier Identification Codes (CICs) (Order on Reconsideration, Order on Application for Review, and Second Further Notice of Proposed Rulemaking), CC Docket No. 92-237, FCC 97-386, paras. 84-85, released Oct. 22, 1997 [hereinafter FNPRM].

provide competitive IXC choices and other advanced telecommunications services to their customers -- choices and services that otherwise would not have been available.

By comparison, implementation of equal access at the end offices of the South Dakota LECs would be very costly for the LECs themselves and for the IXCs that would need to connect to those end offices. And there would be no added benefit. Any IXC that wants to provide service to the South Dakota LECs' rural customers can do so now through SDN.

The Commission previously has carved out exceptions to its rules for centralized equal access providers and LECs that use centralized equal access systems. These comments thus are filed out of an abundance of caution, lest the Commission overlook the existence of these federally authorized networks and their successful deployment of equal access and other Information Age services on a centralized basis, beyond the end office.

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The South Dakota LECs wholeheartedly support the provision of equal access. Pursuant to Section 214 authority granted by the Commission, Memorandum, Opinion, Order and Certificate (SDCEA, Inc.), 5 FCC Rcd. 6978 (Dom. Fac. Div. 1990), the South Dakota LECs provide equal access through a centralized equal

[1] Administration of the North American Numbering Plan Carrier Identification Codes (CICs) (Order on Reconsideration, Order on Application for Review, and Second Further Notice of Proposed Rulemaking), CC Docket No. 92-237, FCC 97-386, paras. 84-85, released Oct. 22, 1997 [hereinafter FNPRM].

access provider -- South Dakota Network, Inc. (SDN).[2] Their customers have access to 70 interexchange carriers (IXCs), and can use four-digit CICs to reach IXCs.

The South Dakota LECs assume that the Commission's proposal to require end office equal access was not meant to supplant the centralized equal access systems already providing competitive interexchange service to rural America. Nevertheless, out of an abundance of caution, the South Dakota LECs are filing these reply comments to ensure that LECs continue to have the alternative of providing equal access and supporting four-digit CICs through centralized equal access systems. See FNPRM para. 85.

Interest of the South Dakota LECs

The four South Dakota LECs serve very sparsely populated areas in rural South Dakota. Valley has approximately 1,969 access lines with 1.1 lines per square mile. Valley has seven exchanges, the smallest of which serves 129 customers, and the largest serves 472 customers. Sully Buttes has 4,100 access lines, with a density of 1.1 lines per square mile and a total of 15 exchanges. Golden West serves 14,426 access lines in 27 exchanges. Golden West has 1.51 subscribers per square mile.

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[2] SDCEA, the grantee of Section 214 authority, was a subsidiary of SDN. The Section 214 authorization for SDCEA was transferred to SDN by Order and Certificate (South Dakota Network, Inc. and SDCEA, Inc.), File No. W-P-C-6837, released Dec. 30, 1992 (Dom. Fac. Div.).

West River serves 1,566 access lines in five exchanges with .34 lines per square mile. West River's service area is so rural that most calls for needed services (such as medical and agricultural supplies) are toll calls.

Seven years ago, no IXCs, other than AT&T, had requested interstate access service from the LECs that participate in SDN. For an IXC to provide service, the IXC would need to run costly fiber from its POP in more densely populated areas of South Dakota to each of the end offices of the South Dakota LECs. But those end offices served only a few hundred customers each and did not present an attractive business opportunity for IXCs.

In order to bring equal access and competitive toll services to their rural customers, the South Dakota LECs voluntarily joined with other LECs in rural South Dakota to form SDN to concentrate their traffic at a centralized switch equipped to provide both interstate and intrastate equal access. The centralized equal access switch is located in Sioux Falls, South Dakota with lines running to each of the LECs served by SDN. IXCs deliver traffic to, and receive traffic from, the South Dakota LEC customers via the Sioux Falls switch. With 28 companies participating in SDN, there are approximately 115,000 customers that the IXCs can access in Sioux Falls.

The success of SDN is shown by the numbers. The customers of the South Dakota LECs could access only one interstate IXC in 1990 by dialing "1+." Today, they have access to 70 IXCs.

SDN's network serves as the platform for the provision of many other services in addition to equal access. These services include screening for WATS and WATS-type services, access to emergency medical services, access to law enforcement, fire and other emergency services via Enhanced 911 service, and SS7 services. In addition, the capacity of this fiber network is used to facilitate the delivery of a wide array of other services require more bandwidth than traditional voice grade services, such as distance learning programs and telemedicine programs.

The Equal Access Proposal Focuses on End Offices

In the FNPRM paras. 84-85, the Commission proposed to require LECs to upgrade their facilities to provide equal access and to accept four-digit CICs either within three years of an Order in this proceeding, or when the switches are next replaced, depending on the type of switch being used by the LEC. The proposal appears to focus on the capabilities and services provided by end office switches. Similarly, the comments filed by Sprint Corporation (Sprint) supporting the Commission's proposal do not consider the alternative of providing equal access through centralized equal access providers -- yet, Sprint provides interexchange service to the customers of the South Dakota LECs through SDN. Sprint Comments at 1. Sprint focuses on the benefits of equal access and four-digit CICs. Id. But

these benefits are also provided by SDN and other centralized equal access providers.

In their comments, the United States Telephone Association (USTA) and the National Telephone Cooperative Association (NTCA) provide proposals to ensure cost recovery and to permit LECs to obtain waivers if needed. USTA Comments at 4-6; NTCA Comments at 3-5. If the Commission adopts such a waiver process, it should not extend such a requirement to the centralized equal access providers, and their subtending owners. The original equal access rules extending the equal access obligation to independent telephone companies contemplated equal access at the end office. MTS and WATS Market Structure Phase III (Report and Order), 100 FCC 2d 860, 874 (1985). Yet, the Commission recognized that the traffic concentration offered by centralized equal access networks provided a number of distinct public interest benefits. Memorandum Opinion, Order and Certificate (MIEAC), File No. W-P-C-6400, para. 14, released Aug. 22, 1990 (citing "advantages to sparsely populated communities by the availability of competition in the interexchange marekt fostered by equal access networks"); Memorandum Opinion, Order and Certificate (Iowa Network Access Division), 3 FCC Rcd. 1468, 1468 (Com. Car. Bur. 1988) (Commission priority to speed the availability of high quality, varied competitive services to small towns and rural areas), recon. denied, 4 FCC Rcd. 2201 (Com. Car. Bur. 1989); Memorandum Opinion, Order and Certificate (Indiana Switch Access Division),

File No. W-P-C-5671, Mimeo No. 3652, released Apr. 10, 1986 (implementing equal access to subscribers who otherwise might be denied the benefits of IXC competition), review denied, 1 FCC Rcd. 634 (1986); Memorandum Opinion, Order and Certificate (Contel of Indiana), 3 FCC Rcd. 4298, 4301 (Com. Car. Bur. 1988) (equal access to be brought about sooner and less expensively, aggregation of access lines will be more attractive to competitive IXCs, and plan will reduce costs to IXCs). As a consequence, the Commission and state regulatory authorities issued their authorizations (including the FCC's authorization pursuant to 47 U.S.C. § 214) for the construction and operation of these networks, and substantial investment was incurred for their construction. Sophisticated services to rural customers have flourished as a result. As discussed further below, public policy commentators have recognized the benefits of centralized equal access networks to rural America. As a matter of public policy and law, the Commission should not disturb the investor-backed expectations, associated with prior regulatory approval, by requiring waivers or any other requirement that would impair equal access provision on a centralized basis.

Centralized Equal Access Is in the Public Interest

The Commission recognized the benefits of centralized equal access when it granted Section 214 authority to SDN.[3] The Commission stated:

> [SDN's] proposed network has the potential for implementing in rural areas (here rural South Dakota) the important Commission goal of making available more competitive, varied, high quality interstate services. Based on the information provided by [SDN] in support of its application, it appears that leasing and operating transmission and switching facilities for the purpose of providing centralized equal access services to bring the benefits of equal access for interstate and intrastate competitive services to the subscribers of twelve independent local exchange telephone companies which serve seventy-six rural exchanges in the state of South Dakota is in the public interest.

Memorandum, Opinion, Order and Certificate (SDCEA, Inc.), 5 FCC Rcd. 6978, 6981 (Dom. Fac. Div. 1990) (emphasis added). Since SDN began operating, the number of LECs served by SDN has increased to 28, and the number of exchanges served by SDN has increased to 215.

The Rural Economic Policy Program of the Aspen Institute specifically has recognized the benefits of centralized equal

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[3] There are several other centralized equal access systems, including Minnesota Equal Access Network Services, Inc. (MEANS), Memorandum Opinion, Order and Certificate (MIEAC), File No. W-P-C-6400, released Aug. 22, 1990. See also Memorandum Opinion, Order and Certificate (Iowa Network Access Division), 3 FCC Rcd. 1468, 1468 (Com. Car. Bur. 1988), recon. denied, 4 FCC Rcd. 2201 (Com. Car. Bur. 1989); Memorandum Opinion, Order and Certificate (Indiana Switch Access Division), File No. W-P-C-5671, Mimeo No. 3652, released Apr. 10, 1986, review denied, 1 FCC Rcd. 634 (1986); Memorandum Opinion, Order and Certificate (Contel of Indiana), 3 FCC Rcd. 4298, 4301 (Com. Car. Bur. 1988).

access to rural America. In referencing SDN and other centralized equal access providers, it stated:

> Another approach that small companies have used to expand services available in rural areas is to aggregate demand. Rural areas often lack economies of scale that would make it attractive to provide new services such as equal access to alternate long distance carriers. With the approval of regulators, small companies may aggregate their demand through pooling traffic to provide a viable market for new services.

The Aspen Institute, Electronic Byways: State Policies for Rural Development Through Telecommunications 78 (1992).

The Office of Technology Assessment also supported the creation of what it called "rural area networks" (RANs) which include centralized equal access systems. It stated:

> Rural Area Networks have a number of potential benefits:
>
> * RANs could foster the deployment of advanced technology to rural areas in an economically viable manner. By pooling diverse users, they would provide considerable economies of scale and scope.
>
> * Built to meet shared needs, they could foster cooperation and community ties.
>
> * RANs would overcome the limitations of technological expertise in rural areas since they could be designed by one systems integrator.
>
> * RANs would induce communications providers to be more responsive to the communication needs of rural communities. By joining forces, rural users will be able to exert greater leverage in the marketplace.

Office of Technology Assessment, Rural America at the Crossroads: Networking for the Future 9, 129-30 (1991) [hereinafter OTA].

Centralized equal access systems illustrate the cooperative ventures that are undertaken in rural America to bring services to rural residents that may not be available without such joint efforts. This cooperation within and between rural communities was highlighted in a paper recently written by the Foundation for Rural Service (FRS), which is sponsored by the National Telephone Cooperative Association (NTCA). The paper, "Best Practices for Rural Internet Deployment: The Implications for Universal Service Policy," described how rural communities work together:

> Rural communities depend on cooperation to survive.
>
> To develop an effective diffusion strategy [for advanced communication services] for rural communities, it is necessary to view communication technologies and services not solely as commodities -- to be bought and sold in the marketplace -- but also as the infrastructure that binds a community together. An appropriate technology diffusion process for encouraging the use of advanced communication services in rural communities should replicate the communication process. As late 19th [century] American philosopher, John Dewey, characterized this process:
>
> > Society not only continues to exist by communication, but it may fairly be said to exist in transmission, in communication. There is more than a verbal tie between the words common, community, and communication. Men live in a community in virtue of the way in which they come to possess things in common.
>
> Such a diffusion process would go well beyond deploying technology. It would -- as was the case with the diffusion of the telephone [in rural America] -- also serve to build community. In designing national telecommunications policies, policy makers would do well to take into account that many rural cooperatives and independent telephone companies are already operating in this cooperative mode.

Foundation for Rural Service, Best Practices for Rural Internet Deployment: The Implications for Universal Service Policy 41 (1997) (footnote omitted) (emphasis added).

The Office of Technology Assessment similarly stated:

> If rural areas are to access advanced communications technologies in an economical fashion, it is critical that policymakers at the local, State and Federal levels think about and plan for [rural consortia] . . . .

OTA at 130.

In sum, as the Commission considers its proposed modifications to its equal access rules, it should take into account centralized equal access systems which provide benefits to rural communities that would not be realized by end office equal access.

End Office Equal Access Would Come at a High Price But Would Yield No Benefits to Rural South Dakota Customers

In particular, customers of the South Dakota LECs already can obtain access to 70 IXCs. End office equal access would not result in any additional IXCs providing service to the South Dakota LECs' customers because those IXCs already can connect to SDN. In fact, end office equal access would undercut the traffic concentration benefits which have resulted in the strong IXC interest, discussed earlier, in serving these customers at a centralized point.

Moreover, the financial cost to implement end office equal access would be high. The cost of implementing equal access in

the switches of these exchanges would be approximately $10,000 to $25,000 per switch. The approximate cost for each of the South Dakota LECs is shown below.

	# of Switches to Upgrade	Cost for Equal Access
GOLDEN WEST	10	$100,000 - $250,000
SULLY BUTTES	11	$110,000- $275,000
VALLEY	7	$ 70,000 - $175,000
WEST RIVER	5	$ 50,000- $125,000

In addition to implementing switch upgrades, each exchange would need to be connected to IXC POPs. For example, West River, which is located in Bison, South Dakota would need to be connected to IXC POPs in Sioux Falls -- a distance of about 310 miles. A DS3 circuit would cost approximately $15,000 per month. West River has only approximately 1,566 customers. Thus, the IXCs would be paying $10 per month to reach <u>each</u> of those customers. Even if West River were to absorb the cost of the DS3 circuit, it would need to increase its charges by $10 per month for each customer. Similar costs would apply to the other LECs in South Dakota. It is doubtful that many IXCs would incur such costs simply to connect to the South Dakota LECs at their end offices rather than at Sioux Falls.

Because of these unique cost/benefit factors discussed above, the Commission historically has been careful to accommodate the special circumstances of LECs participating in centralized equal access arrangements. For example, the Commission recognized the unique configuration of centralized equal access systems when it exempted centralized equal access providers from requirements to provide direct-trunked transport. Report and Order and Further Notice of Proposed Rulemaking (Transport Rate Structure and Pricing), 7 FCC Rcd. 7006, 7049 (1992), modified, 8 FCC Rcd. 5370, 5387 (1993). There, the Commission explicitly provided an exemption in its rules by stating, "Centralized equal access providers as described in Transport Rate Structure and Pricing, CC Docket No. 91-213, FCC 92-442, 7 FCC Rcd 7002 (1992), are not required to provide direct-trunked transport service." 47 C.F.R. § 69.112(i) (1993).

Also, as the South Dakota LECs and other LECs that are members of SDN desired to coordinate equal access balloting for the entire SDN system, the Commission granted waivers of the equal access balloting deadlines. Order (NECA: Petition for Waiver of Equal Access Balloting Requirements), 7 FCC Rcd. 2364 (Com. Car. Bur. 1992) (SDN).[4]

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[4] See also Order (NECA: Petition for Waiver of Equal Access Balloting Requirements), 6 FCC Rcd. 4789 (Com. Car. Bur. 1991) (MEANS); Order (NECA: Petition for Waiver of Equal Access Balloting Requirements), 4 FCC Rcd. 3949 (Com. Car. Bur. 1989) (Iowa Network Services).

In sum, although no party's comments have mentioned centralized equal access serving arrangements in this proceeding, the South Dakota LECs draw the Commission's attention to their special serving arrangements. Out of an abundance of caution, they respectfully submit that any rules crafted by the Commission should not disturb such arrangements, which have fulfilled the promise of bringing IXC competition and Information Age services to rural America.

CONCLUSION

For the foregoing reasons, the South Dakota LECs respectfully request the Commission to continue to provide LECs with the alternative of providing equal access and support for four-digit CICs through centralized equal access systems.

Respectfully submitted,

GOLDEN WEST TELECOMMUNICATIONS COOPERATIVE, INC., SULLY BUTTES TELEPHONE COOPERATIVE, INC., VALLEY TELECOMMUNICATIONS COOPERATIVE ASSOCIATION, INC., AND WEST RIVER COOPERATIVE TELEPHONE COMPANY

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January 12, 1998

CERTIFICATE OF SERVICE

I, Susan J. Bahr, an attorney in the law firm of Blooston, Mordkofsky, Jackson & Dickens, certify that on this 12th day of January 1998, I have caused to be hand-delivered copies of the foregoing to:

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